



Sandra L. Wagner
Director -
Federal Regulatory

SBC Communications Inc.
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Washington, D.C. 20005
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March 17, 1995

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FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY

Ex Parte

Mr. William F. Caton
Acting Secretary
Federal Communications Commission
1919 M Street, N.W., Room 222
Washington, D.C. 20554

Re: CC Docket No. 94-1

Dear Mr. Caton:

In accordance with Commission rules governing ex parte presentations, please be advised that today that attached letter was delivered to Chairman Reed Hundt. Please place this information in the record for the above mentioned docket.

Please stamp and return the provided copy to confirm your receipt. You may contact me should you have any questions.

Sincerely,

Attachment

No. of Copies rec'd
List A B C D E

021

Southwestern Bell Telephone

"The One to Call On"

RECEIVED

March 16, 1995

MAR 17 1995

D. T. Hubbard
Vice President
Revenues and
Public Affairs

The Honorable Reed Hundt, Chairman
Federal Communications Commission
1919 M Street, N.W.
Washington, D.C. 20554

**FEDERAL COMMUNICATIONS COMMISSION
OFFICE OF SECRETARY**

**RE: CC Docket No. 94-1
LEC Price Cap Performance Review**

Dear Chairman Hundt:

In the course of the above captioned proceeding, significant information has been submitted to the Commission concerning the existence of competition in interstate access markets. Southwestern Bell has provided the Commission and its Staff with specific examples which show that competition is flourishing in SWBT's major market areas. It is our position that the Commission must recognize the existence of these competitive markets as it formulates revisions to the current Price Cap Regulatory Rules.

The purpose of this letter is to provide you with additional information which underscores the impact that competition is having on Southwestern Bell.

On January 5, 1995, SWBT received from MCI Telecommunications Corporation two requests for proposal to replace certain special access services that we are currently providing to that company. On January 27, 1995, we received two more requests for proposal from MCI for the replacement of additional special access services. In all four RFPs, MCI indicated they wanted a "competitive response" and the "selection of an access vendor will be based on pricing, timing, strategic and operational factors". In addition, in conversations with MCI, we were advised that they had sent these same requests to other access vendors to determine the most competitive bid for their interstate special access services. Copies of two of these requests are attached for your review.

One Bell Center
Suite 4106
St. Louis, MO 63101

Phone 314 235-7600

The Honorable Reed Hundt
March 16, 1995
Page 2

On February 27, 1995, Southwestern Bell filed a tariff with the FCC's Common Carrier Bureau which described the service package we planned to offer MCI in response to the RFPs. In our filing, we requested the standard 45 day effective date interval so as to be in a position to successfully bid for these access services and to retain MCI's business.

On March 6, 1995, SWBT was advised by MCI that they had elected to utilize the services of another vendor for the provision of these interstate special access services. In addition, on March 8, 1995, SWBT received notification that MCI was withdrawing from SWBT the other two RFPs. This loss of MCI's business will result in a revenue opportunity loss to Southwestern Bell of more than \$3 million annually.

In addition to advising Southwestern Bell of their intent to obtain these access services from competing vendors, MCI has informally advised SWBT that, in the future, they will not seek competitive bids from our Company. Rather, they will use SWBT's existing interstate tariffs as a reference point in comparing the bids that they obtain from other vendors. While this is certainly disappointing, it is also characteristic of the business practices promoted by the current regulatory environment. Large access customers, who are also often our competitors, find it strategically beneficial to block our ability to develop competitive responses, rather than allow us the flexibility to provide services at competitive prices.

Please be assured that this case is not an anomaly. Southwestern Bell faces direct and aggressive competition from a variety of service providers, who are well positioned throughout our territory. (See the attached newspaper article for an example of the type of competition that SWBT faces.) These vendors, most of which are subject to FCC regulation, are well-versed in the Federal Regulatory Rules and are very skilled at using them to their advantage. Where Southwestern Bell must file tariffs, cost support, and specific service rates, these vendors are virtually unencumbered by any similar requirements. They are able to meet with major access users, such as MCI, and negotiate directly to arrive at a specific price for the

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desired services. This gives them a significant advantage in these markets. This is an area that is in need of immediate attention by the FCC.

I hope the information provided herein is helpful to you as you wade through all of the evidence submitted in this docket. I also believe that if considered carefully it will provide you with a reality check on the various proposals that have been advanced for new Price Cap Rules and Options.

My Company is in need of a framework which recognizes the existence of competition, and gives us the ability to meet our customers' needs, and respond to competitive forces.

Sincerely,

A handwritten signature in black ink, appearing to read "D.T. Hubbard", with a long horizontal flourish extending to the right.

D.T. Hubbard

Attachments

CC: Commissioner James H. Quello
Commissioner Andrew C. Barrett
Commissioner Rachelle B. Chong
Commissioner Susan Ness
Ms. Kathleen M. H. Wallman

MCI Telecommunications
Corporation
Southern Carrier Relations ACM
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

January 5, 1995

Mr. David Vaughn
Division Manager - Regional Sales
Southwestern Bell Telephone Company
1010 Pine Street, 8th Floor
St. Louis, Missouri 63102

Dear David:

Following is a formal Request for Proposal (RFP) from MCI Telecommunications, for 8 DS-3's from the MCI POP to the POP as described in detail on the attached. If SWBT is interested in submitting a proposal to MCI for provision of this service, please respond by COB January 20, 1995. If SWBT elects not to submit a proposal, please notify MCI in writing by COB January 20, 1995 of SWBT's declination.

As a valued vendor of MCI access service, your competitive response to this request is appreciated. All proposals received will be treated as confidential under the terms and conditions of the Nondisclosure Agreement in effect between our companies.

MCI's selection of an access vendor will be based on pricing, timing, strategic and operational factors.

If you have questions regarding this project, please contact either Gene Rudloff (314/342-8969) or Brenda Battad (703/506-6608). All responses should be returned to Brenda Battad at:

MCI Telecommunications
1650 Tysons Boulevard
McLean, VA 22102
FAX: (703) 506-6608

Sincerely,



Gene Rudloff
Senior Manager - Carrier Relations

MCI Telecommunications
Corporation
Southern Carrier Relations ACM
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

January 5, 1995

Mr. David Vaughn
Division Manager - Regional Sales
Southwestern Bell Telephone Company
1010 Pine Street, 8th Floor
St. Louis, Missouri 63102

Dear David:

Following is a formal Request for Proposal (RFP) from MCI Telecommunications, for 15 DS-3's from the MCI POP to the POP as described in detail on the attached. If SWBT is interested in submitting a proposal to MCI for provision of this service, please respond by COB January 20, 1995. If SWBT elects not to submit a proposal, please notify MCI in writing by COB January 20, 1995 of SWBT's declination.

As a valued vendor of MCI access service, your competitive response to this request is appreciated. All proposals received will be treated as confidential under the terms and conditions of the Nondisclosure Agreement in effect between our companies.

MCI's selection of an access vendor will be based on a combination of pricing, timing, strategic and operational factors.

If you have questions regarding this project, please contact either Gene Rudloff (314/342-8969) or Brenda Battad (703/506-6608). All responses should be returned to Brenda Battad at:

MCI Telecommunications
1650 Tysons Boulevard
McLean, VA 22102
FAX: (703) 506-6608

Sincerely,



Gene Rudloff
Senior Manager - Carrier Relations





MCI Telecommunications
Corporation
Southern Carrier Relations/ACM
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

David Vaughn
Southwestern Bell Telephone
1010 Pine
St. Louis, MO 63102

Dear David:

MCI has completed the review of the proposals submitted in response to our request for proposal for service in for 6 DS3s as designated in project number SW9502.

MCI appreciates Southwestern Bell Telephone's responsiveness to this request, however at this time we have elected to utilize the services of another vendor.

Thank you for your interest in providing service to MCI.

Sincerely,

A handwritten signature in cursive script, reading "Laura K. Pickrel".

Laura K. Pickrel
Carrier Management





MCI Telecommunications
Corporation
Southern Carrier Relations/ACM
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

David Vaughn
Southwestern Bell Telephone
1010 Pine
St. Louis, MO 63102

Dear David:

MCI has completed the review of the proposals submitted in response to our request for proposal for service in for 15 DS3s as designated in project number SW-5901.

MCI appreciates Southwestern Bell Telephone's responsiveness to this request, however at this time we have elected to utilize the services of another vendor.

Thank you for your interest in providing service to MCI.

Sincerely,


Laura K. Pickens
Carrier Management



MCI Telecommunications
Corporation

Southern Carrier Relations, 40M
MCI Building
100 South Fourth Street
St. Louis, Missouri 63102

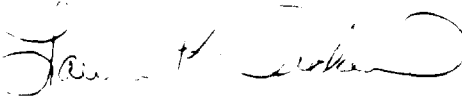
March 8, 1995

Mr. David Vaughn
Southwestern Bell Telephone Company
1010 Pine Street
St. Louis, Missouri 63102

Dear David:

This is to notify Southwestern Bell Telephone Company that MCI is withdrawing the Request for
Proposals on Project CRSW002 () and Project CRSW001 ().

Sincerely,



Laura K. Pickerel

ST. LOUIS POST-DISPATCH

BUSINESS

WEDNESDAY, MARCH 15, 1995

MCI Builds Fiber-optic Net Here

MCI Communications Corp. is building a fiber-optic network that will circle St. Louis by the end of the year.

The ring will allow businesses to connect directly to MCI's network or give them an alternate path for data, voice or video communications. The ring allows calls to travel in either direction, assuring that calls will go through if the ring is cut or otherwise disrupted. MCI can use the ring to monitor its network's performance.

The St. Louis ring is one of 10 being built this year. MCI has completed rings around Houston, Los Angeles and San Diego. MCI expects to build more rings in high-traffic areas in the future.